

AR25

General Nutrition, Incorporated

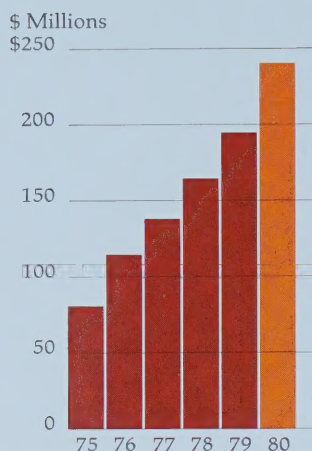
Annual
Report
For the Year
Ended
January 31,
1981



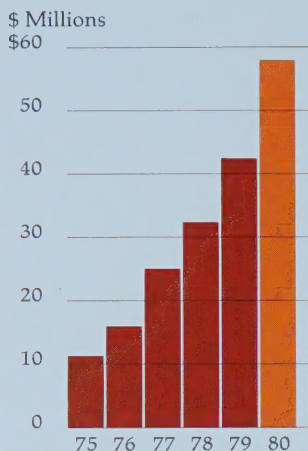
Financial Highlights

General Nutrition, Incorporated

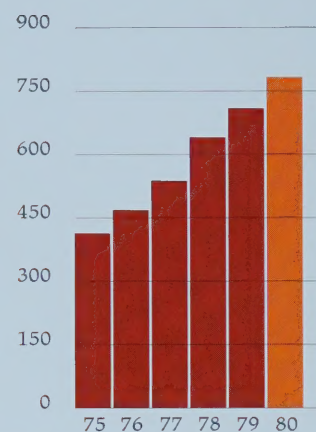
Revenues



Shareholders' Equity



GNC Retail Locations at Year End



	1980	1979	1978
For The Year			
Net Revenue	\$241,611,000	\$195,085,000	\$164,719,000
Net Earnings	\$ 12,900,000	\$ 10,239,000	\$ 7,218,000
Net Earnings as a Percent of Revenue	5.3%	5.2%	4.4%
Net Earnings Per Common Share	\$1.56	\$1.25	\$.88
Cash Dividends Declared Per Common Share	\$.06	—	—
Average Common Shares Outstanding	8,180,600	8,063,933	8,041,475
Capital Expenditures	\$ 14,337,000	\$ 17,290,000	\$ 22,084,000
Center Openings	74	70	103
At Year End			
Total Assets	\$110,405,000	\$ 86,990,000	\$ 74,705,000
Long Term Debt	\$ 7,345,000	\$ 12,713,000	\$ 7,984,000
Shareholders' Equity	\$ 58,168,000	\$ 42,521,000	\$ 32,402,000
Shareholders' Equity as a Percent of Total Assets	53%	49%	43%
Return on Average Shareholders' Equity	26%	27%	25%
Centers Open at End of Year	784	710	640

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To Our Shareholders

For General Nutrition, Incorporated, 1980 was a year of significant achievement in many areas. Among these were our first public stock offering, record revenues and earnings, expansion of manufacturing and distributing capability, enlarged product lines and revised management structure.

Public Offering

The most notable event was the public offering in June 1980 of one million shares of GNC common stock at \$15 per share. This marked the first time that shares of the Company could be owned by customers, employees and the general public. Trading of our shares commenced in the over-the-counter market. On December 22, 1980, our stock was accepted for trading on the New York Stock Exchange. Our listing symbol is GNC.

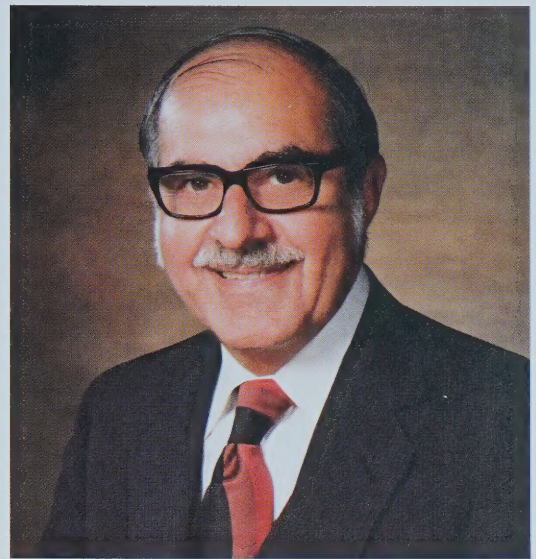
Largest Gains

I have the pleasure of reporting to you on our operations in this, the first annual report since we became a public company. It is a particular pleasure to announce the largest sales and earnings in our 45-year history. For fiscal 1980 (ending January 31, 1981), net revenue increased to a record \$241,611,000. This is a 24% increase over net revenue for 1979, of \$195,085,000. Earnings before taxes for 1980 amounted to \$24,237,000 compared to \$18,566,000 in 1979, for a 31% gain. Net earnings increased to \$12,900,000 from \$10,239,000—a 26% gain for 1980 over 1979. This translates to a 25% increase in net earnings per common share from \$1.25 in 1979 to \$1.56 in 1980.

In the fourth quarter (16 weeks) of 1980, we also had record net revenue, net earnings and net earnings per common share. Net revenue increased sharply, 32%, a gain from \$64,299,000 in 1979 to \$85,114,000 in 1980. Earnings before taxes increased 29% from \$6,278,000 in 1979 to \$8,084,000 in 1980. Net earnings increased 30% from \$3,464,000 in 1979 to \$4,502,000 in 1980. Likewise, net earnings per share showed a significant gain, 29%, from 42 cents in 1979 to 54 cents in the fourth quarter of 1980.

Higher revenue levels resulted mainly from sales gains of existing retail nutrition centers as opposed to new stores opened. Existing GNC centers experienced a 16.6% increase for the year 1980 and a 23.7% gain for the fourth quarter of 1980 over 1979. Eighty stores were opened across the U.S. and six were closed, for a net increase of 74. Coupled with 42 fruit-and-nut kiosks opened or acquired in 1980, this brought the total GNC retail units to 826 by the end of the year.

Record performance of GNC in sales and earnings reflects the growing public awareness of nutrition. People are becoming more conscious and concerned about what they eat and about what is good for them. Other factors influencing our largest gains were increased GNC promotion, primarily newspaper advertising, as well as continued expansion of



David B. Shakarian
Chairman of the Board and Chief Executive Officer

GNC product lines and enhanced capability of our manufacturing plants and distribution system.

Organization Realignment

To position the Company for 1981 and beyond, in 1980 Gary A. Daum, president and chief operating officer, established new management appointments and alignment within GNC. Vice presidents, each responsible for autonomous profit/cost centers, now report to Mr. Daum. We believe this provides a strong, effective management team for the future. GNC has nearly 6,000 employees, with a payroll of approximately \$42,000,000 including salaries, wages and benefits.

Kenneth R. Chane has been promoted to vice president, retail division. Michael J. Graves has joined GNC as vice president, operating divisions; he is responsible for several functions: distribution under Richard A. Trydahl; the food and cosmetics division, headed by Dr. David E. Walsh, vice president; the tablet division, headed by George Tomaich; the mail-order division under George E. McTurk, vice president; corporate purchasing, managed by Barrett F. Eby. Dr. Walsh continues as corporate-wide research and development director. Charles A. Koempel continues as vice president, finance and administration, and is now responsible for corporate personnel, headed by Martin J. Clancy. Joseph F. DiMario is vice president, information resources and long-range planning, and Samuel Mineo is vice president, real estate and construction.

New Board Members

Lex N. Gamble, vice president of Kidder, Peabody & Co. Incorporated, prominent New York investment banking firm, was elected to our Board of Directors in May, 1980.

Robert D. Buzzell, professor of business administration at Harvard University, was elected to our Board in December, 1980. Dr. Buzzell has been a faculty member of the Harvard Graduate School of Business Administration since 1961.

Both of these gentlemen have broad experience in various fields and are a valuable addition. Their talents and professional backgrounds add strength to our Board of Directors.

Stock Split

The Board of Directors of General Nutrition, Incorporated, meeting March 5, 1981, approved a 2-for-1 split of GNC common stock for shareholders of record on June 23, 1981, subject to approval at the next GNC shareholders' meeting—to be held June 9, 1981, in Heinz Hall, Pittsburgh, PA.

Dividend Increase

An increase in the annual dividend from 6 cents a share to 8 cents a share on the pre-split stock, payable semi-annually, was approved by the Board. This represents an increase of 33 $\frac{1}{3}$ % on cash dividend payout.

The directors also gave approval to apply for GNC stock listing on the Pacific Stock Exchange.

Moving Nutritional Food

Growth of GNC in 1980 was fostered by expansion of our manufacturing and distribution facilities. The Company already supplies the majority of its stores by its own trucks direct from plants and also from distribution centers in Pittsburgh, PA; Fargo, ND; Trenton, NJ, and Atlanta, GA. In addition, a GNC distribution center of 60,500 square feet was opened in the spring of 1980 in Dallas, TX, to serve the West and Southwest.

The exciting realm of creating and manufacturing food products has resulted in many new GNC nutritional foods and supplements reaching the shelves of our retail stores and the homes of our mail-order customers. At the Fargo plant, a large new automatic cracker line became fully operational in November, 1980. We now offer customers our own Golden Harvest all-natural whole wheat crackers, wheat germ crackers, herbal crackers and low-sodium sesame crackers. We also commenced full-scale packaging of pure vegetable cooking oils in vacuum-sealed bottles. Other new products of 1980 include a complete skin-care line featuring aloe vera and jojoba oil. We now process our own jojoba cosmetics from the desert bean to retail shelf.

The new Greenville, SC, tablet manufacturing plant, which began production in 1979, came on stream in impressive style in 1980. With the most modern equipment, this facility now compresses millions of tablets each hour to enhance our lines

of vitamins and other food supplements. One new product developed in 1980 at Greenville is a children's natural vitamin.

Markets for GNC sometimes blossom as medical and nutrition research findings are made known to the public. As more and more research is conducted in the field of nutrition, GNC through its own research department is able to capitalize by supplying the product customers are seeking. We conduct our own research on food and vitamins to fulfill our role in helping Americans to be healthier.

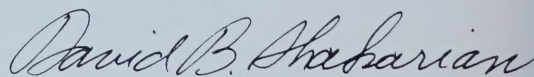
Plans for '81

In 1980, GNC announced plans to open 200 new stores in 1981. Doubling annual 100-store plans of the past, the unprecedented 200 new units will bring the number of GNC retail units to 1,000 by the end of 1981. All are company-owned and operated. GNC does not franchise. The Company expects that this expansion will be financed principally from internally generated resources. Seasonal working capital requirements will be facilitated by a \$10,000,000 line of credit negotiated in 1980 with a major Pittsburgh bank. GNC will open its new store locations in regional shopping centers (four major department stores), mid-market centers (two major department stores), strip malls (malls that are not enclosed), and major city locations. Further enlargement of GNC manufacturing and distribution facilities is also planned for 1981.

Looking Ahead

At GNC, I believe we have something very special in the history of retailing. And I believe this is just the beginning for GNC. While we have had rapid growth in the past, we see the potential for even greater strides in the future.

GNC's record achievements in past years, culminating in 1980, reflect the dedicated devotion of its top management team under the capable direction of Mr. Daum. He has assumed total responsibility for all operating functions and the nearly 6,000 hard-working GNC people. I am deeply grateful for their skill and enthusiasm. They are our best assurance for growth of General Nutrition, Incorporated, in the years ahead. Together, we plan continued gains in sales and net earnings, and future expansion of the manufacturing, distribution and marketing arms of this Company to serve the nutrition interests and needs of the nation.



David B. Shakarian
Chairman of the Board
and Chief Executive Officer

Capability in Good Foods

Preparing some delicious Golden Harvest oriental pepper steak variety at one of the 784 GNC nutrition centers across the U.S. Each year in its test kitchens, GNC creates many new all-natural food products. This one has no cholesterol, is low in fat, high in protein, rich in vitamins.



Capability in Good Foods

General Nutrition, Incorporated is the largest retail chain in the United States emphasizing the sale of vitamins, minerals and nutritional foods, supplements and beverages. The Company also sells personal care products and other products related to nutrition and personal well-being. Sales are conducted principally through more than 784 Company-owned stores, known as General Nutrition Centers, located in 47 states and Canada, as well as by mail-order outlets in Pittsburgh, Montreal and London. Most products are sold under the Company's brand names.

GNC's corporate headquarters and marketing divisions are headquartered in Pittsburgh, Pennsylvania. GNC truck

distribution centers are located in Pittsburgh and other regions to serve General Nutrition Centers across the United States.

In 1980 General Nutrition, Inc. acquired a business in Great Britain which sells nutritional foods and supplements to mail-order customers and to independent stores of the United Kingdom. This acquisition expands the international scope of GNC.

GNC was a pioneer in the concept of food from the farm field to retail store all under one corporate roof. Still GNC's philosophy, this concept eliminates many middlemen of the food marketing

Top left: fruit-and-nut kiosk is an innovative retail concept for shopping malls. Bottom left: filling mail orders of vitamin-mineral tablets. Right: GNC nutrition centers are the prime source of health and diet foods and supplements for millions of Americans. It is the GNC Lifestyle.



process and enables our Company to offer retail prices that are often lower than prices the food consumer can find elsewhere.

General Nutrition, Incorporated also initiated the idea of selling nutritional food products by direct mail. As in the store, the General Nutrition Corporation practice by mail was founded on the premise of selling highest-quality vitamin supplements and other health-and-diet food products at reasonable prices.

A basic component of the GNC concept has been to offer products of the same generic formula and quality as the "name-brand" products. By GNC mail or retail center, the vital difference occurs in the consumer's pocketbook.

Together with attractive prices, General Nutrition, Inc. tries to bring to the GNC customer the excitement and sheer sensual pleasure of selecting fine nutritional foods that "look good, taste good and, moreover, are good for you." There is a cornucopia of over 1,000 products—from natural peanut butter to vitamin C tablets—in an expanding line of GNC foods and supplements. As part of its outstanding capability in marketing foods, GNC also practices the fine art of natural foods and is always developing new and interesting food combinations. These are foods with fresh, wholesome ingredients

Selecting foods from shelves of fresh warehouse inventory for fast delivery to our stores.



unusually and excitingly combined . . . foods with natural flavors, superb and undisguised.

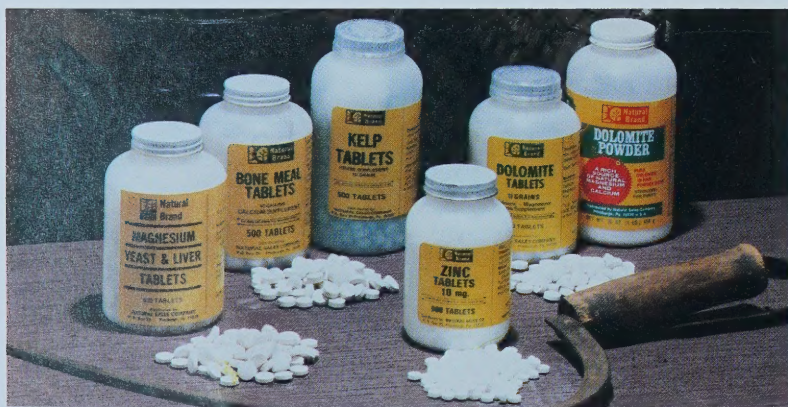
Since man can remember, the best sources of foods have not changed. Through the products in our GNC retail food centers or via the postman at the door, GNC takes each valued customer to the sunwarmed grain fields, the orchards and gardens, the rivers, lakes and oceans that provide the good ingredients of our foods.

What stays in GNC food products is what separates these products from the highly processed, nutrient-robbed and additive-filled products found on many

supermarket shelves. GNC resists the artificial coloring, imitation flavor, bleached white flour and "refined" white sugar ingredients, the preservatives, the "enriched" additives that form most of America's foods. Instead, the GNC dedication is to producing nutritionally superior alternatives to such products. Only by this commitment is health truly a part of the foods we sell. The result is that GNC is today's viable alternative to the supermarket.

Prime factors that have helped build GNC to its pre-eminent place in the nutrition sun are the nearly 6,000 people employed by GNC, as well as our loyal customers who number in the millions. The GNC people enjoy what they are doing—the business of America's healthkeeping through nutritious foods. We believe their industry, sense of pur-

Top left: some of GNC's own brands of mineral tablets. Bottom left: new Golden Harvest cosmetics have all-natural ingredients. Right: popular GNC natural-grain granolas are rich in fiber and nutrients.



pose and responsibility will keep GNC in the leadership position in our competitive business.

In a personal way, many of the legion of satisfied GNC customers have truly come to believe in GNC, by store or mail, as their own "private secret place" for health and diet foods. Here they buy the multivitamin-plus-mineral capsules, the vitamin D tablets, bone meal, protein supplements, whole-grain granola cereals made with honey instead of sugar, soybeans, roasted sunflower kernels, safflower oil, new fruit drinks and herb teas and many other products desirable for better, happier, healthier lives.

Left: checking temperature of papaya on GNC production line where fruit juices of only 100-percent fruit are bottled. Top right: mixing a batch of jojoba shampoo on cosmetics line. Bottom right: roasting Zesty sunflower seeds.

Pioneer Farms Fruit and Nut Kiosks are a popular new impulse-sale concept for shopping malls and are marketed by the Pioneer Farms Division of GNC, Pittsburgh. These kiosks offer to the mall shopper an unusual selection of all-natural nuts, seeds, dried fruits, beans and grains.

At Greenville, South Carolina, is our newest plant, which manufactures billions of tablets of vitamins and other food supplements. Greenville employs some of the most modern technical research and tablet pressing facilities in the industry.

The largest and principal GNC food production and research facility is the plant located at Fargo, North Dakota. This plant, which is still expanding, covers ten acres of a 19-acre site. It is where GNC controls the manufacture and distribution to our stores of many of the



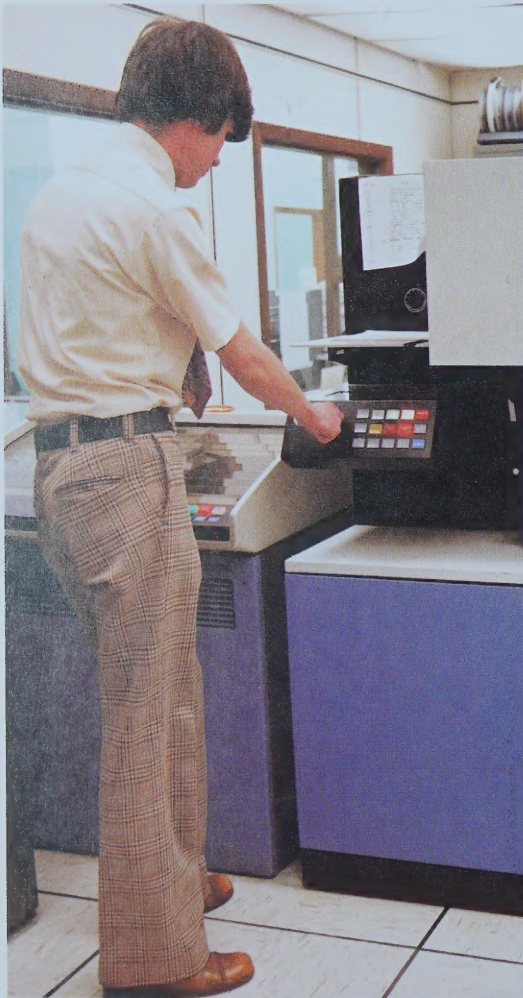
food products that we sell. Some of the best-known of these are Zesty sunflower seeds, apple-bran granola and other high-fiber cereals, toasted soybeans of barbecue and other flavors, honeys, safflower cooking oils, many herb tea blends, natural baking flours, protein powder products, "Nutty Carob Delight" and other fruit-nut mixes, chips, cookies, crackers. One of the newest product groups is cosmetics. Fargo is the personal care products and food production foundation of the growing GNC business.

The Fargo plant is unique in the food industry because of its manufacturing components. They are an unusual group of different lines of food processing.

Throughout the food industry, one cannot find another like it. There is a sunflower roasting line, a cereal line to cook and pack granolas, a juice line, a corn chip line, two new cookie and cracker ovens, a cosmetics plant, two tea-bagging machines, a new protein powder line for composite cans. And finally there are plans for a computer-operated bulk system to automatically feed them. This bulk system would hold millions of pounds of food product at one time. How far will Fargo go? Its significance for the future lies in its changing character from an essential and complete manufacturing arm to a new and greater role of pilot plant to spawn new GNC plants. Thus Fargo will match the marketing pace of this major retailer of health and diet foods by mail and store.

Now and in the future, we are proud of this fact: GNC puts health into food.

Left: recording customers' mail orders on modern electronic data equipment. Right: processing mail orders. GNC is largest marketer of nutritional foods and supplements by mail as well as store.



In Search of Better Foods



*Bacteriology lab,
where foods and food
supplements are
tested, is example of
complete GNC nutrition
research and
development.*

In Search of Better Foods

When our customer enters the General Nutrition Center or orders by mail, he or she can do so with confidence. That's because the products sold by GNC, under our "Golden Harvest" and other labels, are good, wholesome food. What's more, we believe they are the best available.

What makes it so is the fact that each of our nutritional foods, food supplements and diet foods is the concern of an advanced program of nutritional research, product testing, and quality control.

At GNC is an uncommon dedication to the science and technology of natural and nutritional foods. For example, research and quality control are vital

ingredients in the food mix of our granolas and other grain cereals. Analysis and testing go into our vitamins and other supplements: vitamin E, vitamin B-complex, lecithin, desiccated liver, multi-vitamins plus minerals, many more.

Every step of food processing is constantly checked and challenged by an engineering and research staff of nutrition specialists. Modern methods of applied science are employed to create a GNC product pure in bio-chemical analysis . . . processed to exact standards of manufacturing discipline . . . inspected and re-inspected by visual and electronic means to be certain of uniformity, quality and conformance to customer needs.

Top left: analyzing vitamin samples on modern lab instruments. Bottom: packaging tea. Right: in GNC test kitchen, mixing a new granola recipe.



Lab functions are not limited to the lab. Relentless control involves testing at every stage. This includes analysis of incoming batches of all raw materials, for example, of wheat germ or sunflower kernels grown in the rich Red River Valley of North Dakota. Samples of papaya juice, another instance, are taken continually from our liquid processing line for quality testing. Further inspection takes place on random samples selected from the finished food product. Shipments that do not measure up to GNC standards are rejected.

Unlike many others in the nutritional food business, GNC conducts our own research and testing. We do not depend

on outside laboratories or our suppliers to take care of research. Instead, we do our own . . . in one of the world's largest full-time, company-owned-and-operated research and quality control laboratories devoted exclusively to natural foods and nutrition.

Many large food manufacturers whose products are sold in supermarkets use many chemical additives in their processing. If the product doesn't look just right, they add artificial coloring. If the product doesn't seem to hold up through shipment and shelf life, they add artificial preservatives. If it doesn't taste right, they mix in a chemical flavoring agent. But GNC's approach is different. We have no bag of chemical tricks to work with. Instead, GNC's way is the natural way. To provide a good product for the

Left: filling and packaging Wilderness Pack. Right: identifying organic compounds in cosmetics, in quality control lab. At Fargo, ND, GNC has world's largest in-house research and quality control laboratories devoted exclusively to natural foods and nutrition.



customer, we rely on research and quality control to secure the best food ingredients, process them under modern conditions that maintain nutrition content, package them quickly, and ship by our own trucks as quickly as we can to our stores. All-natural is not the easy way but GNC has made it work. For example, outstanding research enables GNC natural granola cereals to compete in the marketplace with popular cereal products that are made with preservatives and other non-cereal ingredients. Moreover, in the past three years over 200 health and diet products have been developed and sold commercially as a result of GNC research.

Not the least case in point of naturalness is the Golden Harvest line of GNC

fruit juices . . . everything from apple-cherry to pineapple-coconut. Surprising to many people, our fruit juices contain only fruit juice. For their pure delicious taste, these juices rely only on the natural sweetness of the fruits themselves. Research enables us to process them without common preservatives and other additives. Ours are pasteurized and packed under vacuum. The vacuum is our only way of preserving them. We deliver them to our customer with no imitation flavor, no artificial color. This differs from some popular fruit drinks which contain mostly artificial ingredients and only 10% fruit juice. In contrast in General Nutrition Centers is, we

Automatically filling three hundred bottles of vitamin C per minute to help serve millions of customers who look to GNC store or mail for supplements to their daily diets.

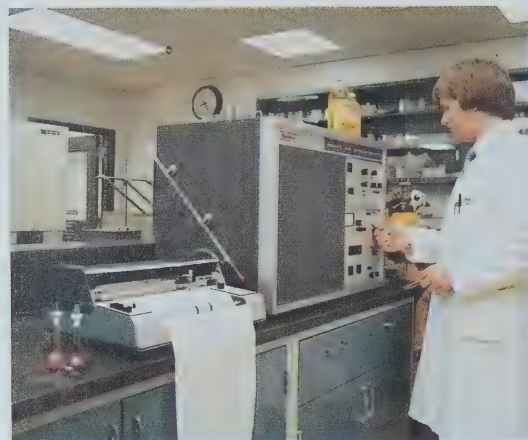


believe, the most superior line of fruit juices on the market . . . real fruit juices, 100% fruit juice . . . perhaps a harbinger of the future of foods.

To help expand horizons of research in human nutrition, General Nutrition, Inc. makes grants, offers products and otherwise provides encouragement to a number of university and medical projects. One exciting project is the American Medical Research Expedition to Mount Everest, to take place in Nepal in the fall of 1981. These climbers of the world's tallest mountain—29,028 feet—will study the effects of high altitude and strenuous exercise on human physiology. They will make measurements of heart and lung function on mountain

climbers during ascent of the peak. Because oxygen at the summit is only one-third that at sea level, this research is expected to test man at the limit of his endurance. A better understanding of man's tolerance of low oxygen levels, and of the body's ability to maintain supply of adequate oxygen to vital organs, will clearly benefit millions of people—both healthy and suffering from heart and lung disorders. Based in Bakersfield, California, the Everest climbers will be provided GNC vitamin and iron supplements, Solotron multivitamin-minerals, and a wide range of foods high in nutrition. A thousand pounds of GNC Golden Harvest 95% Protein, brewer's yeast, wheat germ, Wilderness Pack, Tropical Fruit Mix, other fruit-nut-seed

Left: examining yeast sample in bacteriology lab. Top right: checking vegetable oil to maintain high quality standards. Bottom right: testing content of mineral tablets on advanced scientific equipment.



combinations, and high-energy nutrition bars will be carried on the expedition as GNC's contribution.

At GNC research and laboratory facilities, we conduct in-house nutrition seminars for our staff, and develop nutrition education programs for the public. In these laboratories, scientists and technicians carry on the continuing search for better foods . . . foods of higher nutritional value at lower cost. These people are dedicated to improve GNC foods and supplements . . . to serve the customer interest through applied research in biochemical and nutritional techniques.

Under strictest conditions of control and scientific purpose, sophisticated lab methods and instruments are used to

monitor the purity, balance and potency of products sold in the GNC store or mail. Further, in our test kitchen a staff of home economists and food technologists tests each product formula for kitchen performance. Here too, GNC develops natural, innovative food formulae and recipes of variety and quality.

Attention to quality, a hallmark of GNC, is one key factor that has helped mold the GNC success. Through this specialized research and manufacture, we are able to offer to America a food product of dependable quality, taste and wholesomeness, at a reasonable price.

Testing taste quality of new blends of Golden Harvest herb teas.



A Factory of Destiny



One-half gram vitamin C tablets are coated to protect freshness in modern equipment of new Greenville, SC, manufacturing plant. Here billions of tablets are pressed and millions of bottles filled and packed for shipment to GNC retail centers and to mail operations, to serve nutrition-conscious customers.

**A nation looks
to GNC for
vitamins.
GNC looks
to Greenville.**

In June 1978, General Nutrition Corporation announced acquisition of property in Greenville, South Carolina, to establish a plant for compressing tablets of vitamins and other supplements. As the nation's leading health and nutrition retailer, GNC envisioned this plant as the tableting centerpiece of our manufacturing operations. The facility comprises 75,000 square feet on 16 acres of land, with room for expansion.

Start-up target was spring 1979. But GNC hired the necessary people in Greenville, installed some of the most modern tableting machines and other

equipment together with a quality control department, and beat our "deadline" by pressing our first tablet on January 29, 1979. It was vitamin C.

Production since then has increased rapidly. Today we are manufacturing 75 different GNC products at Greenville. Employment, which was planned initially to be 100, now approaches 200. In 1980 we pressed billions of tablets, packaged millions of bottles.

In a short time, our Greenville plant is no longer green. It has already fulfilled the goal set for it. That was to become a dependable, high-quality source of GNC products manufactured at the lowest possible cost.

Top left: Greenville plant. Bottom left: labeling bottles of natural C with acerola. Right: checking one of most advanced tablet compressing machines.



Since the food sources of our nation and the world simply are not endless, the manufacturing genius of Greenville is important. Through this plant and others, GNC must serve the needs of an ever-increasing population. For millions of people, better nutrition is a goal that must be met. GNC will help achieve this goal as Greenville seeks a breadth of opportunity and depth of challenge unmatched in our industry.

Research reveals that eating habits of many Americans do not supply the rounded diet our bodies need. For the countless people who are becoming more nutrition-conscious than their forebears, the nutritional foods and food supplements of GNC are as vital as the items

on the supermarket list. Food supplements made in Greenville—from vitamin A to zinc—make up for a lack of sufficient vitamins, minerals, proteins in what we otherwise eat. Therefore, GNC food supplements have become a daily regimen for millions of our store and mail customers. This is the GNC Life-style facilitated by the men and women, the machines and minds of Greenville.

Rudiments of GNC and Greenville learning to live together were quickly achieved. There is now a growing climate of energy, an attitude of let's get to work to fill the bottles and the needs of a nation. Already a mature factory and proven provider, GNC Greenville now seeks new potential and fulfillment.

Left: pressing molasses tablets from powder. Top right: preparing B-6 powder for drying in oven before milling. Bottom right: in processing and development lab, formulating Solotron powder ingredients prior to tableting.



Top: weighing and posting mail orders. Bottom: GNC truck on its way to supply General Nutrition Centers overnight from Pittsburgh, PA, distribution facility. GNC is the world's largest firm devoted to manufacture, distribution and sale of nutritional foods, food supplements and diet foods.



Financial and Operating Review

Six Year Summary of Financial Data

	1980	1979	1978	1977	1976	1975
Summary of Operations						
Net Revenue	\$241,611,000	\$195,085,000	\$164,719,000	\$138,738,000	\$114,942,000	\$ 81,808,000
Cost of Sales, Including Costs of Warehouse, Distribution, and Occupancy	160,239,000	128,054,000	112,584,000	88,160,000	74,954,000	56,646,000
Selling, General and Administrative Expenses	55,770,000	47,112,000	38,126,000	31,668,000	29,758,000	23,021,000
Interest	1,365,000	1,356,000	1,000,000	353,000	489,000	375,000
	217,374,000	176,519,000	151,710,000	120,181,000	105,201,000	80,042,000
Earnings Before Taxes on Income	24,237,000	18,556,000	13,009,000	18,557,000	9,741,000	1,766,000
Taxes on Income	11,337,000	8,327,000	5,791,000	9,265,000	4,893,000	821,000
Net Earnings	\$ 12,900,000	\$ 10,239,000	\$ 7,218,000	\$ 9,292,000	\$ 4,848,000	\$ 945,000
Net Earnings as a Percent of Revenue	5.3%	5.2%	4.4%	6.7%	4.2%	1.2%
Net Earnings Per Common Share	\$1.56	\$1.25	\$.88	\$1.14	\$.59	\$.10
Cash Dividends Declared Per Common Share	\$.06	—	—	—	—	—
Average Common Shares Outstanding	8,180,600	8,063,933	8,041,475	8,039,433	8,039,433	8,039,433
Summary of Financial and Other Data						
Total Assets	\$110,405,000	\$ 86,990,000	\$ 74,705,000	\$ 49,203,000	\$ 34,765,000	\$ 33,554,000
Long Term Debt	\$ 7,345,000	\$ 12,713,000	\$ 7,984,000	\$ 799,000	\$ 2,195,000	\$ 2,452,000
Shareholders' Equity	\$ 58,168,000	\$ 42,521,000	\$ 32,402,000	\$ 25,200,000	\$ 16,028,000	\$ 11,300,000
Shareholders' Equity as a Percent of Assets	53%	49%	43%	51%	46%	34%
Return on Average Shareholders' Equity	26%	27%	25%	45%	35%	9%
Capital Expenditures	\$ 14,337,000	\$ 17,290,000	\$ 22,084,000	\$ 8,957,000	\$ 4,938,000	\$ 6,810,000
Centers Opened During the Year	74	70	103	67	58	111
Centers Open at End of Year	784	710	640	537	470	412

Management Discussion

Results of Operations

Several factors have played a key role in shaping the operating results in recent years. Revenue has increased consistently as the result of the addition of new retail units each year and sales growth in existing units. There has been significant expansion in the Company's capacity to formulate and produce vitamin, food and personal care products. Operating costs have generally decreased as a percentage of revenue, except for the impact of abnormally high margin in 1977. In addition, investment tax credits resulting from the Company's capital expansion program during

the period caused the effective tax rate to fluctuate from year to year at lower than statutory rates. The combination of these factors resulted in an increase in net earnings during the period and a substantial return on shareholder investment.

1980 Revenue for 1980 rose a substantial 23.8% over 1979. The largest share of this increase, 16.6%, came from like-unit sales gains with the remainder attributable to mail-order growth and retail centers opened during the year. The impact of inflation on revenue growth was nominal. The major factors which contributed

significantly to the revenue growth were a substantial increase in sales volume generated by a significant expansion in the Company's promotional activities as evidenced by a 28% increase in advertising expenditures in 1980 and the continued enlargement of the product line marketed by the Company. Also reflecting the impact of the expanded product line was a change in the proportion of sales among the Company's product categories. As a percentage of net revenue sales of vitamins, minerals and supplements were 67% in 1980 (76% in 1979); foods and beverages were 24% in 1980 (19% in 1979); and personal care and other products were 9% in 1980 (5% in 1979). We anticipate that a gradual change in product mix will continue into next year.

Earnings before taxes on income increased from 9.5% to 10.0% of revenue in the current year. Earnings were favorably affected by a slowing in the proportionate increase of certain general and administrative expenses. The impact of inflation on the Company's product cost was minimal because of lower costs for certain commodities and the economies resulting from the internal expansion of capacity to manufacture products. Partially offsetting these favorable factors were the increased costs of advertising and other promotional activities.

1979 Net revenue increased 18.4% in 1979 as compared with 1978. This increase was principally the result of the addition of new retail centers.

Earnings before income taxes increased as a percentage of revenue from 7.9% in 1978 to 9.5% in 1979. This improvement is attributable to a decrease in cost of sales as a percentage of revenue resulting from a reduced number of center openings in 1979 as compared to the prior year and improved efficiencies in the Company's distribution system. Partially offsetting the favorable factors was an increase in general and administrative expenses which reflected the expansion of staff to support the Company's business growth and expansion.

1978 Net revenue increased 18.7% over revenue for the prior year. The increase came primarily from the addition of new retail centers and to a lesser extent, higher sales volume per center.

Total costs and expenses increased 26.2% and

pre-tax earnings declined from 13.4% to 7.9%. The decline, reflecting a return to more normal earnings, was the consequence of higher costs associated with opening 107 Centers, as compared with 65 in the previous year, rising occupancy costs, significant additions to administrative, marketing, quality control and research and development staff, and higher depreciation and interest expense associated with new production equipment and facilities. The Company's effective tax rate declined from 49.9% to 44.5% as a result of increased investment tax credits.

Liquidity, Capital Resources and Other Matters

In the two most recent years both the Company's liquidity and capital resource base have improved. Working capital has increased approximately \$4,400,000 in each of the last two years. At the same time, the relationship of both long-term debt and total liabilities to equity has decreased. Shareholder's equity increased during the period by \$25,800,000 primarily the result of earnings retained in the business.

In the past ten-year period the Company has experienced a continuous pattern of retail store expansion. During that period it has opened or acquired over 650 retail centers. The Company has also significantly expanded its production capacity by the expansion of one plant and construction of a second plant in the most recent three-year period. Retail expansion in the last three years has been financed principally from internally generated funds. Plant construction and expansion on the other hand has been primarily financed through the use of external financing. These borrowings include five-year installment notes for production equipment and a mortgage note for a portion of building expansion.

Capital expenditure plans for 1981 include the opening of 200 retail centers and construction of an addition to the Greenville, SC tablet plant. The Company believes that the opening of the retail centers can continue to be financed principally through the use of internally generated funds. Seasonal or temporary demands for working capital will be financed through the Company's available \$10,000,000 unsecured line of credit. Long-term financing will be used for construction and equipping the Greenville plant addition.

Management Report Regarding Financial Statements

Responsibility for Preparation of the Financial Statements

The management of General Nutrition, Incorporated is responsible for the preparation of the consolidated financial statements included in this Annual Report. In carrying out this responsibility, we have ensured that the financial statements were prepared in accordance with generally accepted accounting principles and that these principles were applied consistently. Management also furnished the estimates and judgments on which the accounting process, in many instances, must rely, and we believe the estimates and judgments used in preparing these financial statements are reasonable and appropriate.

To ensure the reliability of financial data, General Nutrition, Incorporated has established, and maintains, an internal control system. The important functions that assure the proper operations of these controls are, in our opinion, the selection and training of qualified personnel, the establishment of appropriate policies, including those of the Board of Directors, and the use of external audits. In establishing an internal control system, management considers the inherent

limitations of the various control procedures and weighs their cost against the benefits derived. We believe the internal controls now in use give reasonable assurance that financial reports do not contain any significant misstatement.

Based on the controls we have described, we believe the financial statements and related notes in this report are accurate in all material respects and that they were prepared according to appropriate and generally accepted accounting principles. We believe, further, that the other financial information contained in this Annual Report is consistent with the financial statements.



Gary A. Daum
President



Charles A. Koempel
Vice President, Finance

Report of Independent Accountants

Board of Directors and Shareholders General Nutrition, Incorporated Pittsburgh, Pennsylvania

We have examined the consolidated balance sheets of General Nutrition, Incorporated and subsidiaries as of January 31, 1981 and February 2, 1980 and the related statements of earnings, shareholders' equity, and changes in financial position for each of the three years in the period ended January 31, 1981. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial state-

ments referred to above present fairly the financial position of General Nutrition, Incorporated and subsidiaries at January 31, 1981 and February 2, 1980, and the results of their operations and the changes in their financial position for each of the three years in the period ended January 31, 1981, in conformity with generally accepted accounting principles applied on a consistent basis.



Certified Public Accountants

March 10, 1981
Pittsburgh, Pennsylvania

Consolidated Balance Sheets

General Nutrition, Incorporated And Subsidiaries

	January 31, 1981	February 2, 1980
Assets		
CURRENT ASSETS:		
Cash	\$ 2,568,000	\$ 2,008,000
Accounts receivable	648,000	284,000
Inventories	42,816,000	27,959,000
Other current assets	3,323,000	2,826,000
Total current assets	49,355,000	33,077,000
PROPERTY, PLANT, FIXTURES AND EQUIPMENT—at cost:		
Land and land improvements	1,130,000	1,130,000
Buildings and building improvements	11,402,000	11,012,000
Leasehold improvements	29,740,000	24,198,000
Machinery and equipment	17,176,000	13,922,000
Furniture and fixtures	23,878,000	18,591,000
Construction in progress	1,395,000	2,964,000
	84,721,000	71,817,000
Less accumulated depreciation and amortization	23,671,000	17,904,000
	61,050,000	53,913,000
	\$110,405,000	\$86,990,000
Liabilities and Shareholders' Equity		
CURRENT LIABILITIES:		
Notes payable—bank	\$ 5,000,000	\$ 2,500,000
Accounts payable	22,612,000	15,322,000
Accrued salaries, wages, vacations and related taxes	2,767,000	2,504,000
Taxes on income	3,240,000	2,068,000
Other current liabilities	4,584,000	2,994,000
Current maturities of long-term debt	2,400,000	3,378,000
Total current liabilities	40,603,000	28,766,000
DEFERRED TAXES ON INCOME	4,289,000	2,990,000
LONG-TERM DEBT—less current maturities	7,345,000	12,713,000
SHAREHOLDERS' EQUITY:		
Capital Stock:		
Preferred Stock, no par value: authorized 1,000,000 shares; issued and outstanding 29,999 shares of \$4 cumulative preferred stock, aggregate stated value \$1		
Common Stock, no par value: authorized 20,000,000 shares; issued and outstanding 8,263,933 shares in 1981 and 8,063,933 shares in 1980 aggregate stated value	3,950,000	587,000
Retained earnings	54,218,000	41,934,000
	58,168,000	42,521,000
	\$110,405,000	\$86,990,000

See notes to consolidated financial statements.

Consolidated Statements of Earnings

General
Nutrition,
Incorporated
and
Subsidiaries

	Year (Fifty-Two Weeks) Ended		
	January 31, 1981	February 2, 1980	February 3, 1979
NET REVENUE	\$241,611,000	\$195,085,000	\$164,719,000
COSTS AND EXPENSES:			
Cost of sales, including costs of warehouse, distribution, and occupancy	160,239,000	128,054,000	112,584,000
Selling, general and administrative	55,770,000	47,112,000	38,126,000
Interest	1,365,000	1,353,000	1,000,000
TOTAL COSTS AND EXPENSES	217,374,000	176,519,000	151,710,000
EARNINGS BEFORE TAXES ON INCOME	24,237,000	18,566,000	13,009,000
TAXES ON INCOME	11,337,000	8,327,000	5,791,000
NET EARNINGS	\$ 12,900,000	\$ 10,239,000	\$ 7,218,000
Net Earnings per Common Share	\$1.56	\$1.25	\$.88
Dividends declared per Common Share	\$.06	—	—
Weighted Average Common Shares Outstanding	8,180,600	8,063,933	8,041,475

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

General
Nutrition,
Incorporated
and
Subsidiaries

	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Total
	Shares	Amount	Shares	Amount			
BALANCE AT FEBRUARY 4, 1978	29,999	—	8,039,433	\$ 400,000	\$83,000	\$24,717,000	\$25,200,000
Common stock issuance	—	—	24,500	104,000	—	—	104,000
Net earnings	—	—	—	—	—	7,218,000	7,218,000
Preferred dividends (\$4.00 per share)	—	—	—	—	—	(120,000)	(120,000)
BALANCE AT FEBRUARY 3, 1979	29,999	—	8,063,933	504,000	83,000	31,815,000	32,402,000
Recapitalization	—	—	—	83,000	(83,000)	—	—
Net earnings	—	—	—	—	—	10,239,000	10,239,000
Preferred dividends (\$4.00 per share)	—	—	—	—	—	(120,000)	(120,000)
BALANCE AT FEBRUARY 2, 1980	29,999	—	8,063,933	587,000	—	41,934,000	42,521,000
Common stock issuance	—	—	200,000	2,746,000	—	—	2,746,000
Contribution to Capital	—	—	—	617,000	—	—	617,000
Net earnings	—	—	—	—	—	12,900,000	12,900,000
Preferred dividends (\$4.00 per share)	—	—	—	—	—	(120,000)	(120,000)
Common dividends de- clared (\$.06 per share)	—	—	—	—	—	(496,000)	(496,000)
BALANCE AT JANUARY 31, 1981	29,999	—	8,263,933	\$3,950,000	—	\$54,218,000	\$58,168,000

See notes to consolidated financial statements.

Consolidated Statements of Changes in Financial Position

General
Nutrition,
Incorporated
and
Subsidiaries

	Year (Fifty-two Weeks) Ended		
	January 31, 1981	February 2, 1980	February 3, 1979
Source of Funds:			
From operations:			
Net earnings	\$12,900,000	\$10,239,000	\$ 7,218,000
Depreciation and amortization	6,833,000	5,408,000	3,752,000
Deferred income taxes	1,199,000	1,075,000	566,000
Other	467,000	398,000	467,000
Total funds provided from operations	21,399,000	17,120,000	12,003,000
Long-term borrowings	1,363,000	8,903,000	8,691,000
Common stock transactions	3,363,000	—	104,000
	26,125,000	26,023,000	20,798,000
Application of Funds:			
Additions to property, plant, fixtures and equipment	14,337,000	17,290,000	22,084,000
Payment and current maturities of long-term debt	6,731,000	4,174,000	1,506,000
Dividends declared	616,000	120,000	120,000
	21,684,000	21,584,000	23,710,000
Increase (Decrease) in Working Capital	\$ 4,441,000	\$ 4,439,000	\$ (2,912,000)
Changes in Components of Working Capital:			
Increase (Decrease) in current assets:			
Cash	\$ 560,000	\$ 1,079,000	\$ (1,201,000)
Accounts receivable	364,000	(25,000)	17,000
Inventories	14,857,000	(497,000)	8,386,000
Other current assets	497,000	194,000	385,000
	16,278,000	751,000	7,587,000
Increase (Decrease) in current liabilities:			
Notes payable	2,500,000	(2,900,000)	2,800,000
Accounts payable	7,290,000	(4,510,000)	9,582,000
Accrued payroll and other current liabilities	1,853,000	1,032,000	461,000
Taxes on income	1,172,000	764,000	(3,498,000)
Current maturities of long-term debt	(978,000)	1,926,000	1,154,000
	11,837,000	(3,688,000)	10,499,000
Increase (Decrease) in Working Capital	\$ 4,441,000	\$ 4,439,000	\$ (2,912,000)

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

General Nutrition, Incorporated and Subsidiaries

Note 1. Summary of Significant Accounting Policies:

The Company is engaged in one business: the production, distribution and sale of vitamins, minerals, nutritional foods, supplements and beverages and personal care products.

The significant accounting policies employed by the Company and its subsidiaries are as follows:

Reporting Periods. The Company's fiscal year generally consists of thirteen four-week periods ending on the Saturday closest to, but subsequent to January 31. The fiscal year is segmented into four quarters composed of three twelve-week periods and the fourth quarter being the balance of the year.

Basis of Presentation. The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All material intercompany transactions, balances and profits have been eliminated.

Inventories. Inventories are stated at the lower of cost (first-in, first-out) or market.

Property, Plant, Fixtures and Equipment. Plant, fixtures and equipment are depreciated on the straight-line method over the estimated useful lives of the related assets. Amortization of improvements to leased premises is provided for by the straight-line method over the shorter of the life of the lease or the useful life of the improvement. The cost and accumulated depreciation or amortization of assets sold or retired are removed from the accounts in the year of sale or retirement and any resulting profit or loss thereon is included in earnings.

Pre-Opening Expenses. Pre-opening expenses for retail stores are charged to operations as incurred.

Income Taxes. Deferred income taxes are provided to compensate for timing differences (principally depreciation) between financial statement reporting and income tax accounting. Investment tax credits are recognized as a direct reduction of Federal income taxes.

Pension Costs. The Company's policy is to fund annually pension cost accrued.

Note 2. Inventories:

Inventories consisted of:

	January 31, 1981	February 2, 1980
Product ready for sale	\$36,285,000	\$23,702,000
Unpackaged bulk product and raw materials	3,755,000	2,063,000
Packaging supplies	2,776,000	2,194,000
	\$42,816,000	\$27,959,000

Note 3. Borrowing Arrangements:

Long-term debt includes the following notes and mortgages payable:

		Balance	
	Maturity	January 31, 1981	February 2, 1980
Notes:			
Prime plus 1 %	—	\$ —	\$ 5,500,000
9½-10 %	1981-1983	3,531,000	4,876,000
10¼-11¼ %	1983	2,801,000	3,526,000
12 %	1985	1,017,000	—
		7,349,000	13,902,000
Mortgages and other:			
9¼ %	1993	1,832,000	1,912,000
Other		564,000	277,000
		2,396,000	2,189,000
Total long-term debt		9,745,000	16,091,000
Current maturities		2,400,000	3,378,000
		\$7,345,000	\$12,713,000

The Company has an unsecured line of credit from a bank in the amount of \$10,000,000 at prime (20% at January 31, 1981) plus ¼ %. At January 31, 1981 there was \$5,000,000 outstanding under this line. Borrowings are on mutually agreeable terms and conditions and the line of credit agreement is subject to revision from time to time. The Company has an informal agreement with the Bank to maintain compensating balances of 10% of the line of credit and 5% of borrowing thereon.

The notes and mortgages payable are collateralized by property, plant and equipment having a carrying of \$13,500,000 at January 31, 1981.

Principal payments on the notes and mortgages during the next five fiscal years are:

1981	\$2,400,000
1982	2,470,000
1983	2,512,000
1984	496,000
1985	360,000

Notes to Consolidated Financial Statements

Note 4. Taxes on Income:

Taxes on income consisted of the following components:

	Year (Fifty-Two Weeks) Ended		
	January 31, 1981	February 2, 1980	February 3, 1979
Current:			
Federal	\$ 8,607,000	\$5,932,000	\$4,391,000
State	1,531,000	1,320,000	834,000
	10,138,000	7,252,000	5,225,000
Deferred:			
Federal	1,021,000	903,000	507,000
State	178,000	172,000	59,000
	1,199,000	1,075,000	566,000
Total provision	\$11,337,000	\$8,327,000	\$5,791,000
Investment tax credits	\$ 723,000	\$1,032,000	\$ 991,000
Deferred taxes related to:			
Depreciation	\$ 945,000	\$ 832,000	\$ 611,000
Deferred employee compensation	285,000	—	—
Other	(31,000)	243,000	(45,000)
	\$1,199,000	\$1,075,000	\$ 566,000

Total Federal taxes on income for each of the years presented are different from the amount computed by multiplying earnings before taxes on income by the applicable statutory Federal income tax rate, principally due to state income taxes (net of the Federal income tax effect) and investment tax credits.

Deferred income taxes of \$285,000 for the year ended January 31, 1981 relate to the compensation portion of the sale of 87,000 shares of Common Stock to certain officers and employees by the Company's principal shareholder in April 1980.

Note 5. Lease Commitments:

The Company has operating leases covering its retail store locations; the leases generally provide for an initial term of ten years, and most include renewal options for varying terms thereafter. These leases require minimum monthly rental payments and a pro rata share of common operating expenses, and most require additional rentals based on a percentage of sales in excess of specified levels.

The other leases cover transportation equipment, data processing equipment and certain distribution facilities.

Rent expense for each of the periods is as follows:

	Year (Fifty-Two Weeks) Ended		
	January 31, 1981	February 2, 1980	February 3, 1979
Retail stores:			
Minimum rentals	\$ 13,164,000	\$ 11,321,000	\$ 8,826,000
Common operating expenses	2,800,000	2,304,000	1,909,000
Contingent rentals	2,668,000	1,851,000	1,648,000
	18,632,000	15,476,000	12,383,000
Other	2,359,000	1,943,000	1,652,000
	\$ 20,991,000	\$17,419,000	\$ 14,035,000

Future minimum annual rental payments for noncancellable operating leases in effect at January 31, 1981 are as follows:

	Retail Stores	Other	Combined
1981	\$ 14,245,000	\$ 912,000	\$ 15,157,000
1982	13,958,000	816,000	14,774,000
1983	13,502,000	518,000	14,020,000
1984	13,013,000	360,000	13,373,000
1985	12,402,000	193,000	12,595,000
Thereafter	60,220,000	—	60,220,000
	\$127,340,000	\$ 2,799,000	\$130,139,000

Note 6. Pension and Profit Sharing Plans:

The Company has a defined benefit pension plan which covers substantially all employees with over one year of service. The Company makes annual contributions to the plan equal to the current pension costs; there are no past service costs associated with the plan. Pension expense under the plan was \$548,000 in 1980, \$417,000 in 1979 and \$359,000 in 1978. Data relative to the plan is:

	January 31, 1981	February 2, 1980	February 3, 1979
Net Assets Available for Plan Benefits	\$1,150,000	\$ 643,000	—
Accumulated Plan Benefits:			
Vested	245,000	116,000	—
Non-vested	506,000	300,000	—
	\$ 751,000	\$ 416,000	—

The accumulated plan benefits were actuarially determined as of the beginning of each plan year assuming a 6% rate of return.

The Company also had a profit sharing plan covering substantially all employees; this plan was terminated effective January 31, 1981. There were no contributions to the plan in the three years ended January 31, 1981.

Note 7. Capitalized Interest:

The Company adopted the provisions of Statement of Financial Accounting Standards No. 34 for the year ended February 2, 1980. Interest related to the construction of warehouses, production and store facilities was capitalized in the amount of \$340,000 and \$711,000 for the fifty-two weeks ended January 31, 1981 and February 2, 1980, respectively.

Note 8. Capital Stock:

The holders of Common Stock are entitled to one vote per share. The holders of the currently outstanding cumulative Preferred Stock are entitled to an annual dividend at the rate of \$4.00 per share, when and as declared. Such Preferred Stock does not have voting rights unless dividends thereon are in default for six consecutive quarters, at which time the holders will have one vote per share on all matters other than the election of directors and the right, as a class, to elect the lesser of two directors or one less than a majority of the Board until the arrearage is paid in full. No dividends may be paid on Common Stock if preferred dividends are in arrears.

In May 1980, the authorized Preferred Stock was increased to 1,000,000 shares and the autho-

rized Common Stock to 20,000,000 shares.

On March 5, 1981 the Board of Directors approved a 2 for 1 stock split subject to shareholder approval to holders of record on June 23, 1981. In addition the Board of Directors will ask the shareholders to approve an increase in authorized common stock to 40,000,000 shares and to approve an employee stock purchase plan under which 300,000 common shares (before split) will be reserved for future issuance.

Note 9. Litigation:

The Company is involved in litigation with a former supplier of vitamin and mineral products. This litigation involves claims and counterclaims between the parties related to matters such as price fixing, deceptive advertising practices, restraint of trade and monopolization. Damages, including treble and/or punitive damages, in unspecified amounts, as well as injunctive relief are sought by both parties. This litigation is still in the discovery stage and, accordingly, the outcome cannot be determined at this time. In the opinion of management, however, based upon all of the information available at this time, the outcome of the litigation will have no material effect on the financial position of the Company.

**Quarterly
Financial
Information
and Stock
Data**

Quarter	Net Revenue	Operating Profit	Net Earnings	Net Earnings Per Common Share	Common Stock Prices		
					High	—	Low
1980 (Thousands)							
First	\$ 52,891	\$18,319	\$ 3,520	\$.43		*	
Second	49,448	16,325	2,188	.27	15		14
Third	54,158	18,131	2,690	.32	16½		13¼
Fourth (16 weeks)	85,114	28,704	4,502	.54	to Dec. 21	23½	15¼
					from Dec. 22	26⅞	22¾
	\$241,611	\$81,479	\$12,900	\$1.56			
1979							
First	\$ 43,948	\$14,997	\$ 2,967	\$.36		*	
Second	41,413	14,000	1,853	.23		*	
Third	45,425	14,706	1,955	.24		*	
Fourth (16 weeks)	64,299	23,328	3,464	.42		*	
	\$195,085	\$67,031	\$10,239	\$1.25			

*Not traded publicly before June, 1980.

Traded over the counter between June and December 21, 1980.

Traded on New York Stock Exchange since December 22, 1980.

Shareholders of record on March 31, 1981 were 1,347.

GNC Retail Nutrition Centers

Map shows distribution of GNC retail nutrition centers at January 31, 1981. General Nutrition owns and operates 784 stores in the U.S. and Canada, as well as mail-order facilities in the U.S., Canada and England.



The following table shows the number of General Nutrition Centers opened and closed by the Company during the indicated periods, the number of Centers open at the beginning and end of each period, and aggregate square footage at the end of such period:

Year	Open at Beginning of Period	Opened During Period	Acquired During Period	Closed During Period	Open at End of Period	Aggregate Square Feet At End of Period	Average Square Feet Per Center
1980	710	80	—	(6)	784	1,393,700	1780
1979	640	73	1	(4)	710	1,231,600	1720
1978	537	107	—	(4)	640	1,086,900	1650
1977	470	65	4	(2)	537	852,800	1560
1976	412	61	3	(6)	470	721,400	1530
1975	301	86	29	(4)	412	629,200	1510
1974	250	47	4	—	301	443,900	1470
1973	207	43	—	—	250	372,100	1490
1972	154	53	—	—	207	312,400	1510
1971	82	72	—	—	154	234,600	1520

Corporate Directory

Domestic

General Nutrition, Incorporated
Parent company
 General Nutrition Center, Inc.
Retail operations
 Pioneer Farms Fruit and Nut Co.
Kiosk operations
 General Nutrition Corporation
Mail-order operations
Tablet manufacturing
 General Nutrition Mills, Inc.
Food manufacturing
Cosmetics manufacturing
 Shakarian Realty, Inc.
Real estate rental and management

International

General Nutrition, Ltd. (England)
Mail-order operations
 General Nutrition Center, Ltd. (Canada)
Retail center operations
 Vintan, Ltd. (Canada)
Mail-order operations

Directors

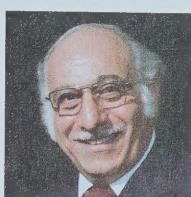


Left to right: Bart J. Shakarian, Lex N. Gamble (Vice President, Kidder, Peabody & Co. Incorporated), David B. Shakarian, Lois V. Shakarian, Robert D. Buzzell (Professor of Business Administration, Harvard University), Gary A. Daum.

Officers



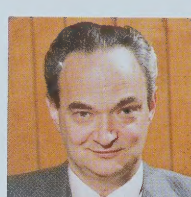
David B. Shakarian
Chairman



Bart J. Shakarian
Vice Chairman



Gary A. Daum
President and
Secretary



Kenneth R. Chane
Vice President-Retail
Division



Joseph F. DiMario
Vice President-
Information
Resources and Long-
Range Planning



Michael J. Graves
Vice President-Operating
Divisions



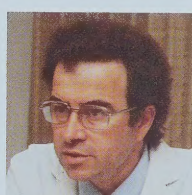
Charles A. Koempel
Vice President-
Finance and
Administration, and
Treasurer



George E. McTurk
Vice President-Mail-
Order Division



Samuel Mineo
Vice President-Real
Estate and Construction



David E. Walsh, Ph.D.
Vice President-Food
and Cosmetics
Division, and
Research and
Development

Corporate Information

Headquarters

General Nutrition,
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Pittsburgh PA 15222
(412) 288-4600

Annual Report (Form 10-K)

The General Nutrition,
Incorporated
Annual Report to
the Securities and
Exchange Commission on
Form 10-K is available,
without charge, to share-
holders on written
request to:
Charles A. Koempel
Vice President—Finance
and Administration
General Nutrition,
Incorporated
921 Penn Avenue
Pittsburgh PA 15222

Annual Meeting

The Annual Meeting will
be held at Heinz Hall,
Pittsburgh PA on June 9,
1981 at 10:00 a.m.

Independent Accountants

Touche Ross & Co.
Two Oliver Plaza
Pittsburgh PA

Registrar and Transfer Agent

Mellon Bank, N. A.
Pittsburgh PA

Investment Bankers

Kidder, Peabody & Co.
Incorporated
10 Hanover Square
New York NY

General Counsel

Berkman Ruslander Pohl
Lieber & Engel
Frick Building
Pittsburgh PA

Exchange Listing

Common Stock (ticker
symbol GNC)
New York Stock
Exchange



General Nutrition, Incorporated
921 Penn Avenue
Pittsburgh, Pennsylvania 15222

World's largest marketer of nutritional foods

